

DOLLY VARDEN

one of the world's large SILVER reserves
copper, lead, zinc, cadmium, molybdenum, gold, barite

1970



tenth annual report

for the year ending march 31, 1970

DOLLY VARDEN MINES LTD. (NPL) VANCOUVER CANADA

The 1970 Annual Meeting will be held in
the Board Room of the Hotel Vancouver on
Tuesday, September 29th, at 10:00 a.m.

OUR SYMBOL: A Silver Coin



Why the girl in the hat? In 1841 Charles Dickens in his book *BARNABY RUDGE*, introduced a "charming young lady with flashing eyes" named Dolly Varden. Her fame spread, and by the 1890's hundreds of ladies wore Dolly Varden hats. Records show that when a prospector first discovered silver near Alice Arm in 1907, he thought of this beautiful girl and named the strike, Dolly Varden.

DOLLY VARDEN

MINES LTD. (N.P.L.)

Head Office: 1400 United Kingdom Building 409 Granville Street Vancouver 2 Canada
Mines at Alice Arm, B.C.

ANNUAL REPORT

for the year ending march 31, 1970

directors

PETER E. CROMIE
President

GEORGE AALTONEN
General Manager

D. M. M. GOLDIE

JAMES W. ANNETT

HOWARD McD. MARTIN

Secretary:

PETER C. G. RICHARDS

Bankers:

THE BANK OF NOVA SCOTIA

Solicitors:

FULTON, CUMMING, BIRD, RICHARDS

Auditors:

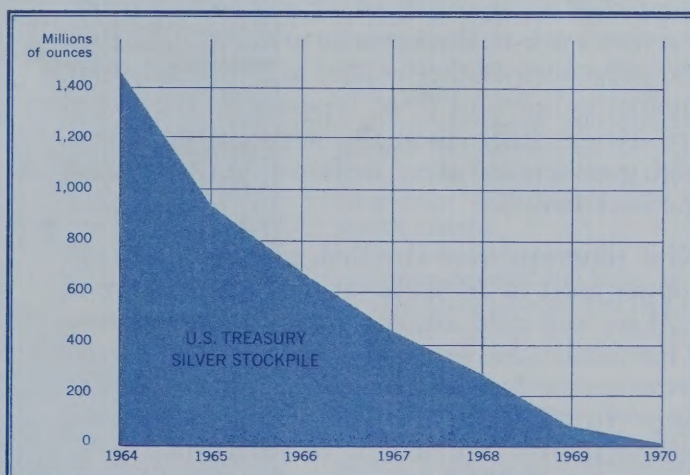
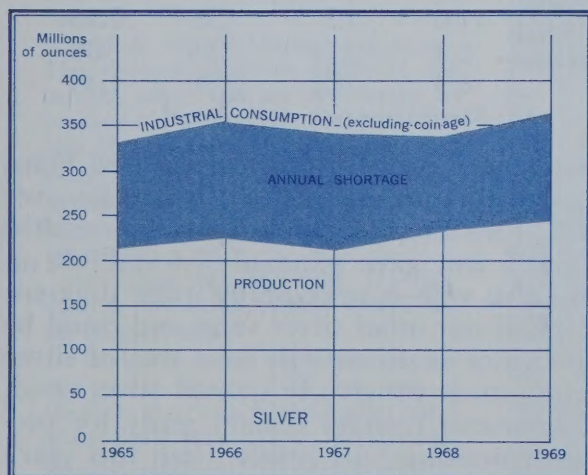
RIDDELL, STEAD & CO.

Registrar and Transfer Agent:

GUARANTY TRUST COMPANY OF CANADA

Shares listed on the Vancouver Stock Exchange

SILVER IN THE FREE WORLD



This is Dolly Varden

One of the World's Large Silver Reserves

page three

president's report

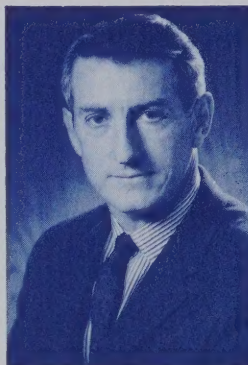
Your Company is moving into a new "league." Evidence being gathered this summer indicates the presence of significant copper and molybdenum in addition to our proven silver, lead, zinc, cadmium and barite. An interesting summation of our properties to June of this year from the magazine, *Western Miner*, follows this page. Since then, exploration results have been extremely encouraging, and are detailed below by our General Manager.

During the fiscal year, 500,000 shares were sold at 60c through a rights offering to shareholders. Subsequent to March 31st, 400,000 shares were issued to Bralorne Can-Fer Resources Limited at 65c per share, under an agreement which terminated on April 30th, making a total of 6,000,000 shares outstanding at the present time.

The price of silver has fluctuated considerably since one year ago, having declined to below \$1.70 Cdn. per ounce this spring, which in turn delayed our production plans. The price has recovered to \$1.90 and this trend should con-

tinue when one considers the charts on the preceding page and the fact that the U.S. Treasury will stop selling silver after November 10th.

We do not intend to delay putting the silver mines into production while exploring the copper belt. However, we must realize that production of the two major metals may be interdependent and might be treated in the same mill. In either case, a dynamic and healthy future for your Company seems well assured.



On Behalf
of the Board of Directors

PETER CROMIE, *President*
September 1, 1970

general manager's report

Results of exploration have been dramatic since the following *Western Miner* article was written early this summer. The copper belt, an area over 2 miles long by 2,000 feet wide produced almost continuous copper anomalies of over 40 ppm and molybdenum anomalies of over 7 ppm over respective backgrounds of 12 ppm and 1 ppm. Further work in the Surprise area has indicated the existence of other copper and molybdenum anomalies north of those reported in the *Western Miner*. Each anomaly, with its individual high geochemical assay, is shown on the map on the back cover.

Nine outcrops were sampled, giving an average copper assay of .95%, an average silver assay of 2.24 oz. and gold assays up to .218 oz. per ton. The results are listed below and the lettered areas can be located on the map on the centre page. In all cases, the widths and grades are averaged over the length of each outcrop (a maximum of 200 feet) and individual high assays are not quoted.

Area	Width	Oz. Gold	Oz. Silver	% Copper
A	19.5'	.005	2.37	1.45
	12.8'	.013	5.18	.31
	17.0'	Tr.	2.20	.26
B	3.5'	.028	1.50	.62
C	6.0'	Tr.	1.10	.44
D	11.6'	.03	.59	1.93
	2.4'	.218	.55	.56
	8.3'	.007	1.40	1.44
E	Sampling not completed			

A previously unknown vein on the Red Point Extension claim is exposed on surface for over 50 feet. Two samples 10 feet apart over widths of 4 and 5 feet, gave values of 67.6 and 9.92 oz. silver. This vein is structurally quite different from all of our other silver veins and could be the indicator of an entirely new area of silver mineralization. Previously quoted silver, lead, zinc, cadmium reserves remain ready for production, awaiting final results from this year's work on the copper belt.

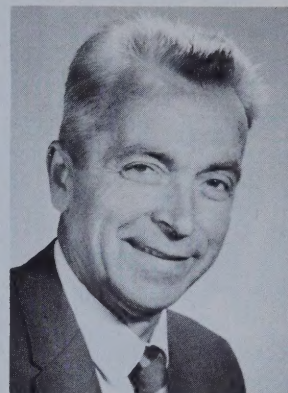
GEORGE AALTONEN, *General Manager*
August 31, 1970



This is Dolly Varden

A NEW LOOK AT AN OLD MINE

By **GEORGE AALTONEN**
General Manager
Dolly Varden Mines Ltd.



George Aaltonen

For the first time in the history of the Dolly Varden property, all of the considerable information on long-known copper showings has been assembled in one report. This compilation of data was carried out by company staff and included a search of all available private and government reports on the property and general area. All of the showings noted in the records were plotted on geological maps of the area and are now in the process of being explored on the ground by a company field crew. To facilitate the examination of these showings a new cable-suspension footbridge has been constructed across the Kitsault River. The 1970 programme is to include photo-geologic study, soil sampling, geological mapping, and sampling of outcrops. This work will be followed by tractor trenching and diamond drilling where conditions warrant.

The copper belt is a feldspar porphyry intrusive, heavily fractured throughout its length of 2.5 miles and across an average width of some 2,000 feet. The copper mineralization is reported as being within fracture-filled veins several feet thick and up to several hundred feet long and grading from 2% to 10% copper, all within a large area of lower-grade dissemination of pyrite and chalcopyrite with a good possibility of extending to depth. These zones hold two real potentials for the company. First is a series of several high-grade smaller-tonnage ore zones. This tonnage could be added to the existing silver reserves and could be processed in a concentrating plant capable of handling both copper ores and silver ores. The second is a large-tonnage, low-grade copper orebody supporting a big-tonnage separate operation.

All copper-belt showings are classified in five areas lettered A to E on the location map.

The A area is also called the Surprise area and is located 2,000 feet west of the Wolf silver vein, about 2 miles north of the Dolly Varden camp and mill site. Samples taken in 1926 gave gross dollar values then of \$3.48 and \$17.52 per ton while an early assay showed 0.02 oz. gold, 1.3 oz. silver, 0.4% zinc, 0.4% lead, and 0.7% copper. Work done in 1954 included samples from three pits which ranged from 28 inches to 7 feet in width and from trace to 0.40 oz. gold, 7.65 oz. silver, and a high of 6.1% copper. A sample across 25 feet taken in 1969 graded 0.6 oz. silver, 0.43% cop-

per, and minor amounts of lead and zinc.

The B area is called the Copper Cliff and work done between 1916 and 1926 included a number of open cuts, a short tunnel, and one drill hole. Six feet of fairly good copper was found in one pit and a several-hundred-foot-wide zone



General manager George Aaltonen stands on recently-constructed footbridge across Kitsault River.

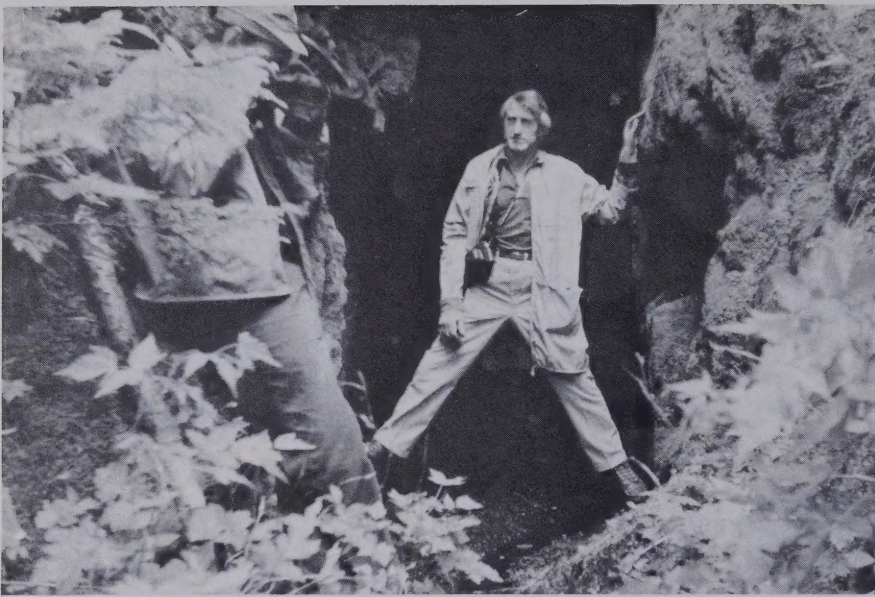
The author was born in Finland in 1922. He is a naturalized Canadian citizen, having lived in Canada since he was very young. He has spent all his adult life, with the exception of the period he served in the Canadian Army during World War II, in the mining industry and has advanced through a succession of increasingly responsible positions. He speaks Finnish, English, and French with ease.

Prior to joining Dolly Varden two years ago, George Aaltonen was mine superintendent for Granduc Operating Company during the driving of the world's longest single-heading tunnel near Stewart, B. C. Before Granduc, he was in charge of a nickel project in Manitoba for Metal Mines Limited. From 1961 to 1964, he superintended a mining operation in Chibougamau, Quebec, for The Patino Mining Corporation. Prior to that, he worked in various capacities in eastern Canadian mines.

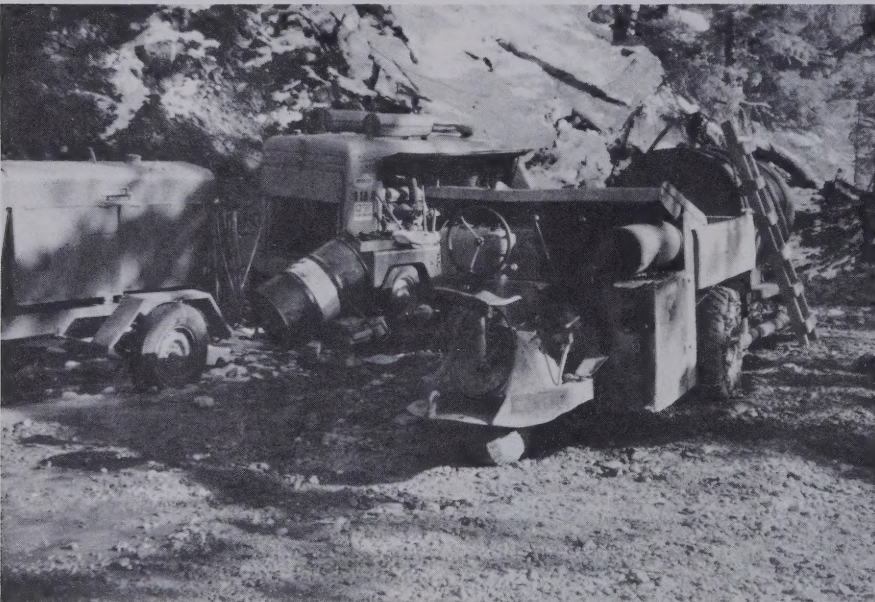
of disseminated copper was also reported in this area.

The C area called the Dan Patch, has a 135-foot tunnel on it which cuts 20 feet of vein material grading 0.58 oz. to 2.60 oz. silver and from 0.52% to 1.84% copper. In 1926 it was noted that small, low-grade masses of pyrite and chalcopyrite could be traced over a length of 3,000 feet. Samples taken in this area in 1969 returned 3.95% copper and 2.4 oz. silver across 4 feet plus lower-grade copper and silver in adjoining samples.

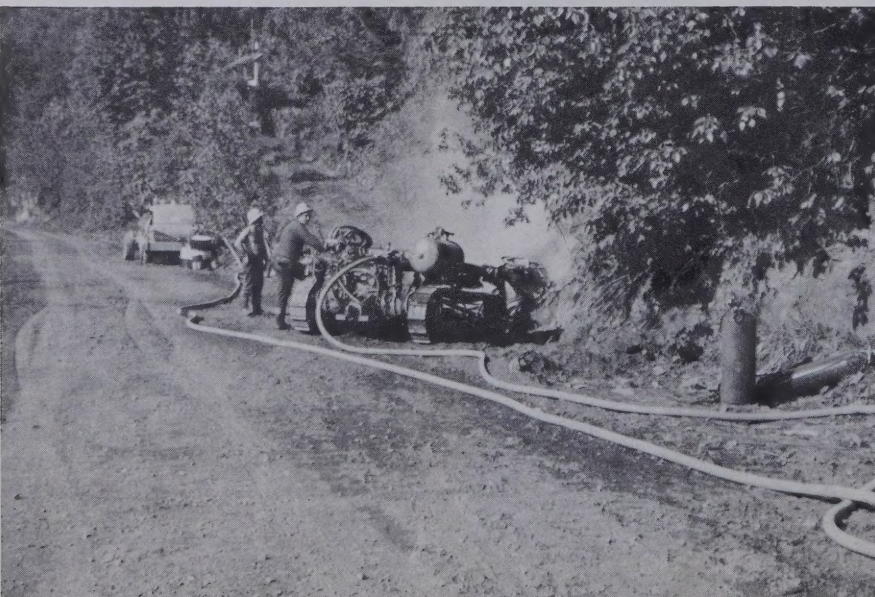
The D area known as the Red Point, had three diamond drill holes put down in 1916 which showed 150 feet of disseminated copper and 0.03 oz. gold while a short tunnel showed 5% copper. The 1916 work showed values over 400 feet of vein length from open cut work ranging from 5 to 8.9 feet in width and grading from 2.3 to 7.54% copper plus significant values in gold and silver. Results from a 1,020-foot tunnel in 1930 are reported as only sparse mineralization while open-cut assays ranged from 2 to 10 feet in width and between 0.3% and 6.6% copper. This sampling also carried significant gold and silver values. Sampling of some of these workings in 1966 tended to confirm these values.



President Peter Cromie straddles Surprise vein to illustrate width.



Compressors and drilling equipment assembled at Dolly Varden's 1400 portal.



Road construction during current Dolly Varden development programme.

The E or Dana area was reported in 1913 as a 4-foot-wide quartz vein yielding samples grading 10.9% copper, 20.7 oz. silver, and 0.3 oz. gold. Dolly Varden recently staked six claims to cover this ground previously known as the Starlight group.

Reports from the first two zones of the copper belt which have been checked out to date by the field crew tend to confirm the old reports.

In the Surprise zone, recent open-cut sampling has ranged to highs of 6.7% copper and 18.8 oz. silver. One of two initial geochemical anomalies covers the sampled area and both correlate excellently with a self-potential study made in 1954. Further soil sampling is being done to check open-ended geochemical anomalies where assays run from 150 to 2,300 ppm against a background of about 50 ppm, and to check other self-potential anomalies in outlying areas when these are completed. Onward plans call for tractor trenching and diamond drilling.

In the Red Point zone, four outcrop areas each approximately 200 feet long with a seemingly common strike have been located in an area 2,500 feet long. Sampling of these areas has shown vein widths of 5 to 15 feet and assays ranging to 6.25% copper, 3.24 oz. silver, and 0.423 oz. gold. The initial geochemical grid with samples spaced 400 feet apart north-south and 200 feet east-west, contains high values so located that they could indicate extensions of the outcrop vein structure. These are now being checked with closer-interval grids.

The field crews will complete the initial copper-belt study this summer. The results from this further work should be extremely interesting as they will include both the high-grade potential of the Dana claims and the reported zone of dissemination in the Copper Cliff group.

SILVER

For ten years Dolly Varden has been working at its property, 18 miles north of Alice Arm and 100 miles north of Prince Rupert in northwestern B. C. to prove sufficient silver ore to justify resumption of production. In the opinion of management and consultants this has been accomplished and production will be attained shortly following the time when silver prices make their next upward move (such an upward move has been predicted by the experts as being likely to occur in the next six months to two years and to carry the price from the current \$1.80 Cdn. range to the \$2.00 or \$3.00 range). Exploration and development work will continue on these silver structures at a modest rate with particular attention being directed to the Musketeer vein, which is on claims acquired by the company last December. This Musketeer vein has been explored on surface since it was acquired and has been traced over a vertical range of 850 feet, a horizontal length of 900 feet, and an average width of some 12 feet. There

COPPER PROSPECT NOTES

- All following information is from valid records - M. of Mines Reports etc.
- Location is accurate as to claims but on claim location is liable to error.

GENERAL REMARKS -

- Various Gov. Geologists reporting in The Minister of Mines Reports, state the Copper Belt consists of fracture filled veins, several ft. thick and up to several hundred ft. long, grading from 2 to 10% Cu. within a large area of low grade dissemination of Pyrite and Chalco. with a good possibility of extension to depth.
- We have approx. 2.5 miles of the Copper Belt on our claims plus The Surprise (see below) which is in a separate structure.

SURPRISE A

- 1926 - Assays on this claim gave 1926 Dollar values of \$3.48, \$17.52, \$0.74
- 1951 - Gov. Geologists assay was .02 oz. Au., 1.3 oz. Ag., .4% Pb., .4% Zn., .7% Cu.
- 1954 - Noranda Exploration Co. Ltd. Assays

	Length	Au. oz.	Ag. oz.	Cu. %	Ph %	Zn %
Pit - 1	5'	.06	.60	1.45		
	5'	.03	.35	.85		
	3.5'	.07	4.95	6.10		
	5'	.04	.45	5.50		
	5'	.40	3.50	2.25		
	5'	.005	.40	.40		
	5'	.05	TR.	.05		
Pit - 2	34"	.015	1.05	.55	TR	
	44"	TR	TR			
	28"	.035	7.65	.60	.05	2.0
	7'	.025	5.6	1.55		
Pit - 3	6.5'	TR	.90	1.30	TR	TR

Field crew Recommended Drilling
1969
Sample across 25 ft. assayed
Au.-.03 oz., Ag.-.6 oz., Cu.-.43%,
Pb.-.02%, Zn.-.14%.

COPPER CLIFF B

- 1916 - Open cut at 2700' Elev. has 6' bunches of chalco. at joints of intersections.
- The tunnel is in 1% disseminated Cu.
- There is an immense surface showing.
- Rich float has been found in both Gash and Copper Creeks.
- Granby grab sample ran .03 oz. Au., .5 oz. Ag., 1% Cu.

- 1918 - 6' Fairly Good copper in open cut
- Granby drilled a hole N.W. of Tunnel.
- Good chalco float found.

- 1921 - Zone is several 100 ft. wide - disseminated chalco and Pyrite
- 1926 - Assays on this group gave 1926 dollar values of \$5.64, \$17.52, \$0.74 and \$3.46

DAN PATCH C

- (1) - 1916 - 5' samples in tunnel ran from .01 to .03 oz. Au., .20 to 1.0 oz. Ag., .03 to .18% Cu.

- Open cut shows patches of chalco

- 1921 - There is a 10 ft. wide vein
- (2) - 1916 - 4 samples in 125' Tunnel grade from .01 to .02 oz. Au., .58 to 2.60 oz. Ag., .52 to 1.84% Cu.

- 1921 - 135' tunnel crosses 20' of vein material.

Small low grade masses of pyrite and chalco. Can be traced 3000' to the North West.
1969

- In a 15 ft. wide zone - 4 ft. assayed.
Au.-.02 oz., Ag.-2.4 oz., Cu. 3.95%
- The adjacent 6 ft. assayed.
Au.- Tr., Ag.-.4 oz., Cu.-.15%.
- 75 ft. North an open cut assayed.
Au.-.01 oz., Ag.-1.4 oz., Cu.-.67%
- Grab sample from Adit Dump assayed.
Au.-.02 oz., Ag.-1.2 oz., Cu.-.95%

RED POINT D

- (1) - 1916 - 3-200' D.D. Holes cut 150' zone of disseminated chalco. and .03 oz. Au. These holes 125' below lowest outcrop
- Short tunnel shows 5% Cu.
- Zone extends N.W. to Dan Patch & S.E. of Evindsen Creek
- (2) - 1921 - A broad band of pyrite, chalco, galena & zinc dissemination.
- 1939 - A 1020' Tunnel was driven in sparse chalco mineralization open cut assays.

Length	Au. oz.	Ag. oz.	Cu. %
-	.36	1.08	5.15
3'	2.08	2.84	4.90
4.6'	.08	.82	1.60
5'	.04	.82	1.70
10'	.08	Tr.	.30
2'	.36	1.94	6.60

1916 - Assays over 400' of vein length.

Length	Au. oz.	Ag. oz.	Cu. %
5'	.04	3.56	7.54
5'	.08	.70	3.51
8.9'	.28	.50	3.28
8'	.12	.90	2.30
5'	.34	.90	2.92

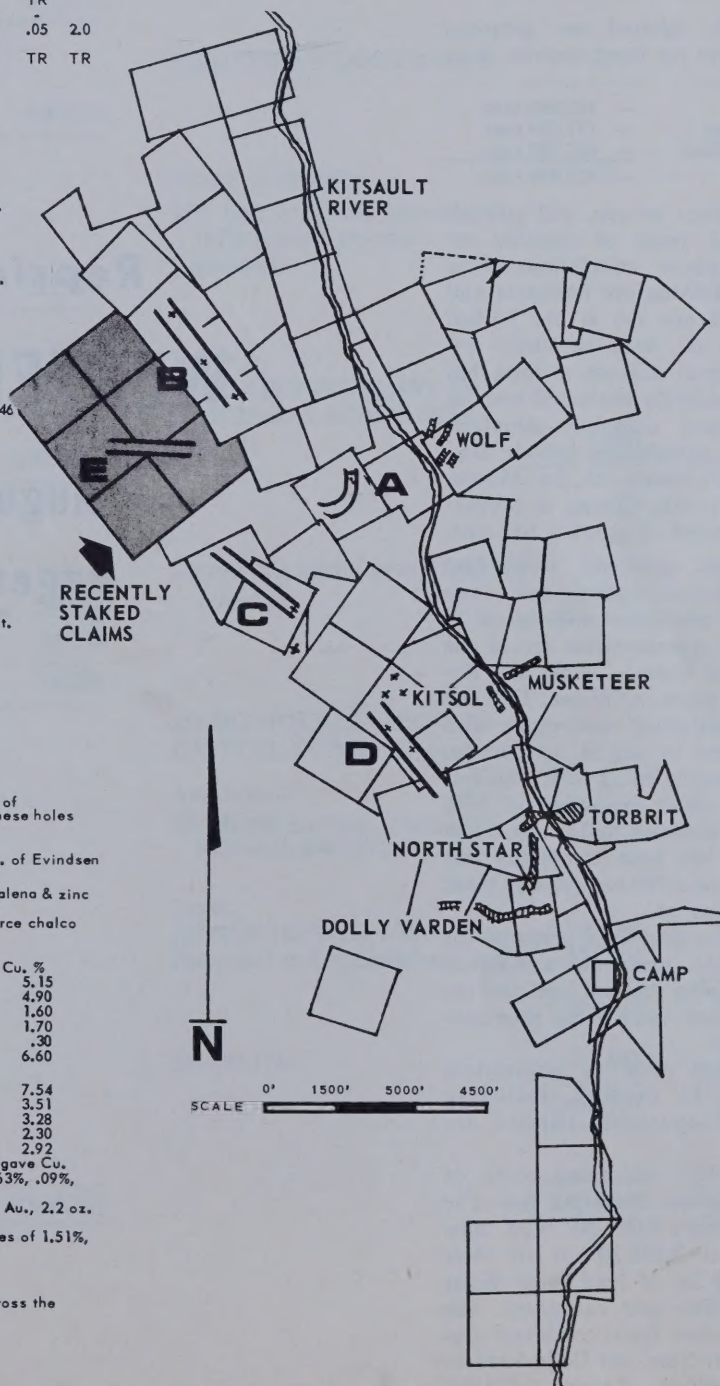
- (3) - 1966 - Chip samples in old upper tunnel gave Cu. values as follows - .75%, .19%, 1.75%, .63%, .09%, .07%, 1.52%, .43%
- The dump at the portal assayed .22 oz. Au., 2.2 oz. Ag., 2.1% Cu.
- Open cuts by the Tunnel gave Cu. values of 1.51%, -1.20%, 3.9%.

STARLIGHT E

- 1913 - A 4 ft. wide quartz ledge runs across the property and assays.
Cu. - 10.9%
Ag. - 20.7 oz.
Au. - .3 oz.

LOCATION MAP OF COPPER ZONES DOLLY VARDEN MINES LTD.

ALICE ARM
NORTH WEST, B.C.



has been no average grade assigned to the vein as yet since there has only been a modest amount of work done but surface sampling ranges from 0.01 oz. to 24.0 oz. silver per ton. Further surface trenching is planned for the Musketeer vein, to be followed by diamond drilling.

The present ore reserves consist of the following (for locations see Figure I)

Wolf Mine	—	534,968 tons at	9.86 oz.
Torbrit Mine	—	367,000 tons at	7.6 oz.
North Star Mine	—	252,300 tons at	7.77 oz.
Dolly Varden Mine	—	50,000 tons at	20.00 oz.
Total	—	1,204,268 tons at	9.15 oz.

These reserves give five years of economical mining at a rate of 700 tons per day.

Geologically inferred ore potential over and above the listed reserves is as follows:

Wolf Mine	—	192,800 tons
North Star Mine	—	171,200 tons
Dolly Varden Mine	—	665,500 tons
Total	—	1,029,500 tons

This ore, when proven, will give an additional 4.2 years of minable reserves. The above calculations show nothing for outlying ore remnants and possibilities of new ore at the Torbrit mine, which has been variously calculated at several millions of tons, but cannot be accurately evaluated without de-watering and complete sampling. Nor do these calculations include anything for such claims as the Moose, Kitsol, Silver Horde, Climax, or Musketeer, where silver is known to exist.

Metallurgical problems were first solved by bench-testing and then checked by a pilot-plant mill run of 20 tons of fresh representative ore at the Department of Energy, Mines and Resources' pilot plant in Ottawa. This test resulted in lead-silver concentrate with a silver content of 416.54 oz. per ton and a lead content of 12.68%. This test also showed silver extraction of 87% with a simple flotation mill circuit. Flow sheet design has been completed and line drawings of a 700-ton-per-day plant have been prepared.

Mining plans have been prepared for the Wolf mine, using an economical blast-hole mining method and for the North Star mine using a top slice-and-bench method.

Total capital costs to production, spread over 16 months, including \$185,000 of operating capital are \$4,427,470.

Updated, full operating costs of Wolf-mine ore are \$9.33 per ton. The yearly production from the Wolf mine will amount to 2,138,700 oz. of silver and 1,153,100 lb. of lead, plus minor amounts of zinc and cadmium. The yearly production from combined ores (Torbrit, North Star, and Dolly Varden) will be 1,683,600 oz. of silver, 1,373,900

lb. of lead, 2,783,200 lb. of zinc, and 41,160 lb. of cadmium.

The projected net annual operating profits, using current prices for other metals and various projected silver prices are as follows:

Silver Price (Cdn.)	Net Annual Operating Profit
2.00	\$ 1,906,649
2.25	2,417,270
2.50	2,927,891
2.75	3,438,513
3.00	3,949,134

It can be seen that each 25c rise in

the price of silver results in an additional net annual operating profit of \$510,620 or \$2.08 per ton mined.

Once in production, an additional, un-calculated source of income will be derived from the production of barite as a by-product, as the barite content of the various ores ranges to a maximum of 30% by volume at the Torbrit mine. The Dolly Varden easy access to deep sea transport and nearness to the Alaskan oil activity makes the production of barites feasible.

Reprinted from WESTERN MINER

August, 1970

Pages 39 - 42

dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET as at March 31, 1970

ASSETS			LIABILITIES		
	1970	1969		1970	1969
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 92,120	\$ 2,229	Accounts, payable and accrued	\$ 1,863	\$ 86,113
Accounts receivable	3,554	2,415	Loan payable	—	66,000
Inventory of supplies at cost	17,398	17,721	Current portion of equipment contracts	—	30,405
Prepaid expenses	2,240	2,240		<u>1,863</u>	<u>182,518</u>
Judgement receivable plus costs (Note 2)	—	390,568			
	<u>115,312</u>	<u>415,173</u>			
			EQUIPMENT CONTRACTS		
				<u>—</u>	<u>49,830</u>
FIXED ASSETS at cost (Note 3)	<u>429,338</u>	<u>430,579</u>			
			NOTE PAYABLE		
			12% note maturing November 1, 1973, interest payable quarterly		
				<u>—</u>	<u>70,000</u>
MINERAL CLAIMS, LEASES AND RIGHTS at cost (Note 4)	<u>214,275</u>	<u>211,275</u>			
			MINORITY INTEREST IN SUBSIDIARY COMPANIES (Note 1)		
				<u>4,000</u>	<u>4,000</u>
DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURE	<u>2,094,908</u>	<u>1,609,532</u>			
			EXPLORATION AGREEMENT (Note 5)		
OTHER ASSETS at cost				<u>179,006</u>	<u>—</u>
Incorporation expense	9,773	9,773			
Deferred finance charges	—	14,253			
	<u>9,773</u>	<u>24,026</u>			
			SHAREHOLDERS' EQUITY		
			CAPITAL STOCK (Notes 5 and 6)		
			Authorized		
			10,000,000 common shares of \$.50 each par value		
			Issued		
			5,600,000 shares for cash	2,800,000	2,550,000
			Discounts and commissions - net	<u>534,301</u>	<u>578,801</u>
				2,265,699	1,971,199
			SURPLUS		
				<u>413,038</u>	<u>413,038</u>
				<u>2,678,737</u>	<u>2,384,237</u>
				<u>\$ 2,863,606</u>	<u>\$ 2,690,585</u>
	<u>\$ 2,863,606</u>	<u>\$ 2,690,585</u>			

Signed on behalf of the Board

H. MARTIN, Director

PETER E. CROMIE, Director

**This is Dolly Varden***page five*

dolly varden mines ltd. (Non-Personal Liability)**AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURE**

for the year ended March 31, 1970

DEVELOPMENT

	1970	1969
Assaying and sampling	\$ 13,720	\$ 6,103
Assessment fees and taxes	4,636	3,116
Board and lodging	34,882	38,706
Bridge and road maintenance	20,222	3,585
Camp salaries and maintenance	26,219	19,174
Drifting and raising	123,459	100,738
Engineering and supervision	72,352	64,289
Equipment rental	17,854	—
Insurance	3,721	5,289
Machinery maintenance	29,946	40,878
Salaries and benefits	43,577	4,621
Transportation and freight	18,348	12,606
	<u>408,936</u>	<u>299,105</u>

ADMINISTRATIVE

Advertising and public relations	4,600	7,779
Directors' fees	4,029	—
Interest and bank charges	21,870	17,037
Legal and audit	28,936	25,956
Office	4,604	11,574
Rent	5,943	5,722
Salaries and benefits	36,073	28,270
Transfer and listing fees	8,493	3,137
Travelling	7,108	9,626
	<u>121,656</u>	<u>109,101</u>

**DEMOLITION OF BUILDINGS AND WRITE DOWN OF
EQUIPMENT TRANSFERRED FROM FIXED ASSETS**

	—	175,622
Interest earned	530,592	583,828
	45,216	4,878
Deferred expenditure at beginning of year	485,376	578,950
	<u>1,609,532</u>	<u>1,030,582</u>
DEFERRED EXPENDITURE AT END OF YEAR	<u><u>\$ 2,094,908</u></u>	<u><u>\$ 1,609,532</u></u>

**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

for the year ended March 31, 1970

SOURCE OF FUNDS

	1970	1969
Proceeds of issue of capital stock	\$ 294,500	\$ 410,000
Disposal of fixed assets	64,557	1,123
Exploration agreement	179,006	—
Equipment contracts	—	35,577
Judgement against Sunshine Mining Company	—	64,976
	<u>538,063</u>	<u>511,676</u>

APPLICATION OF FUNDS

Development and administrative expenditure	485,376	403,328
Acquisition of fixed assets	63,316	211,632
Retirement of note payable	70,000	—
Cancellation of equipment contracts	35,577	—
Royalty payments on mineral claims	3,000	—
	<u>657,269</u>	<u>614,960</u>

DECREASE IN WORKING CAPITAL

Working capital at beginning of year	119,206	103,284
	<u>232,655</u>	<u>335,939</u>
WORKING CAPITAL AT END OF YEAR	<u><u>\$ 113,449</u></u>	<u><u>\$ 232,655</u></u>



dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS as at March 31, 1970

1. SUBSIDIARY COMPANIES

The accounts of the following subsidiary companies have been consolidated with those of the parent.

	Percentage of Ownership
Copper Cliff Mines Ltd. (N.P.L.)	88%
Kitsault Silver Mines Ltd. (N.P.L.)	83%

2. JUDGEMENT RECEIVED

In December 1969, the Company received \$435,561 including interest and costs from Sunshine Mining Company, being the balance owing under a final award confirmed by the Supreme Court of Canada.

3. FIXED ASSETS

	1970	1969
Land	\$ 1,000	\$ 1,000
Roads	57,554	20,520
Bridges and dams	64,034	63,542
Buildings	102,154	102,283
Mine equipment	155,912	228,563
Office equipment	4,819	4,468
Leasehold improvements	1,387	1,387
Mill (under development)	30,785	8,816
Barge grid	11,693	—
	<u>\$ 429,338</u>	<u>\$ 430,579</u>

No depreciation has been recorded on the fixed assets.

4. MINERAL CLAIMS, LEASES AND RIGHTS

During the year the Company entered into an agreement whereby it may mine the six "Musketeer" claims located between the Wolf and Torbrit mines. To March 31, 1970, \$3,000 has been paid and \$4,000 is due within the next year.

Should the Company bring the claims into production, it must pay a royalty of 2½% of net smelter returns up to \$12 per ton and 5% of net smelter returns over \$12 per ton.

5. EXPLORATION AGREEMENT

On October 1, 1969, the Company and Bralorne Can-Fer Resources Limited entered into an agreement whereby Bralorne agreed to carry out an exploration programme on certain of the Company's mining properties.

Under the terms of the agreement, 400,000 shares of the capital stock of the Company are to be issued at the rate of \$.65 per share for a total consideration of \$260,000.

To March 31, 1970, Bralorne has spent \$179,006 on the programme. Since then, the agreement has terminated and Bralorne has paid to the Company approximately \$80,000 cash and the Company has issued the 400,000 shares noted above.

6. CAPITAL STOCK

During the year 500,000 shares were issued for cash, netting the Company \$294,500.

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS 505 Burrard St. Vancouver 1, B. C.

AUDITORS' REPORT

To The Shareholders,

Dolly Varden Mines Ltd., (Non-Personal Liability)

We have examined the consolidated balance sheet of Dolly Varden Mines Ltd. (Non-Personal Liability) and its subsidiaries as at March 31, 1970 and the consolidated statements of deferred development and administrative expenditure and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead & Co.
RIDDELL, STEAD & CO.

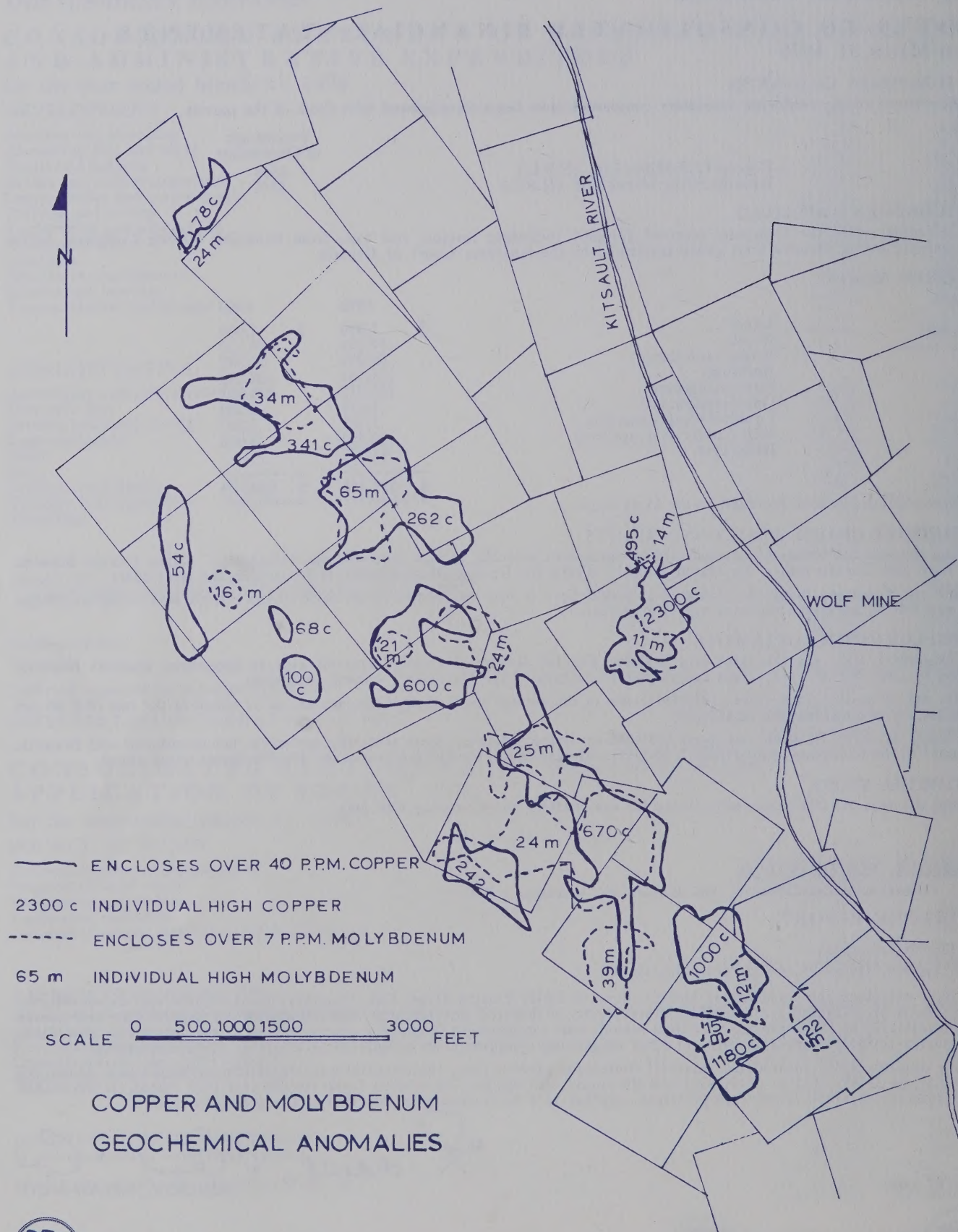
April 22, 1970.



This is Dolly Varden

page seven

dolly varden mines ltd.



This is Dolly Varden

AUGUST 24, 1970